

ALEXANDER, COBURN, BURR, and CARPER; further, that there be 1 hour of debate equally divided in the usual form, no amendments be in order to the measure, the bill be subject to any applicable budget point of order, and that following the use or yielding back of time and disposition of any waivers, if necessary, the bill be read a third time and the Senate proceed to vote on passage of the bill.

The PRESIDING OFFICER. Is there objection?

Mr. HARKIN. I object.

The PRESIDING OFFICER. Objection is heard.

The Senator from Rhode Island.

STUDENT LOANS

Mr. REED. Mr. President, let me thank the Republican leader for cooperating. We are attempting to move forward legislation with respect to student loans. We will shortly reach July 1. At that point, the student loan rate for subsidized Stafford loans doubles from 3.4 percent to 6.8 percent. The legislation I propose would be a 1-year extension of the 3.4-percent rate, allowing students, low- and middle-income students to continue to benefit from a low interest rate.

Our core principles in advancing this 1-year extension of present law are that we believe—and I think this is shared by all of my colleagues—that talented students deserve access to a college education. They need affordable loans and Pell grants and other financial aid. We also believe interest rates should not be set any higher than necessary to protect the taxpayer and break even on the program; that it should not be a profit center for the Federal Government as it is today.

We also believe very strongly that when students take these loans out, particularly the subsidized loans, they deserve predictability. They should know how much they will have to repay. So if you are going to go for an adjustable rate, there has to be a reasonable cap. In fact, my understanding is in the history of the Federal Student Loan Program there has either been an adjustable rate with a cap or a fixed rate. We have never left students solely at the mercy of the market.

We provide subsidized loans to students because we believe we have to invest in Americans, in their talent, in their ability not only to advance their own lives but also to contribute to the greater life of America. It should not be a program that is designed to generate revenue. The reality is today, wittingly or unwittingly, this program, and indeed as would be true for the proposals that have been put on the table, is generating huge amounts of profits to the Federal Government—it has been estimated more than \$50 billion this year. We should be investing in the potential of young Americans, not looking at them as profit centers to help us reduce the deficit.

I know there have been great efforts on the part of my colleagues, sincere

efforts, thoughtful efforts by many—my colleagues Senator ALEXANDER, Senator MANCHIN, Senator KING, Senator HARKIN—chairman of the committee—Senator WARREN, Senator HAGAN, Senator FRANKEN, Senator STABENOW—to come to a long-term solution. There has been a great effort, but we are not there yet.

I think we need, frankly, at least one more year so we can sit down and do this correctly. If you look at the proposals that are out there, there is a short-run attractiveness because the rates have been configured so they look pretty low. But if you follow the rates out, within 3 or 4 years they are above the statute, the law that goes into effect on July 1. They are above the 6.8-percent rate. It is almost as if we are looking back a few years ago—not about student loans but about mortgages. There were a lot of people sitting on 5-percent fixed-rate mortgages and someone walked in and said: Have I got a deal for you. I can give you 2 years at 3 percent. It goes up, but don't worry because you can readjust it down the road and refinance it.

We found out because of many circumstances, come 2008–2009, there was no getting out. In fact, a lot of people discovered they would have been better off sticking with the fixed loan.

That is an analogy. That is not exactly on point. But if you look at all of these proposals, the arc of the increase in interest rates is going up. And, by the way, it has not fully incorporated what the Federal Reserve has already said publicly. Chairman Bernanke said it very clearly, that they are ending quantitative easing. That means one thing: Interest rates go up, and they might go up a lot faster than we even expect right now.

I think another important point which is critical is that the proposals we have seen so far have not had a cap on them, an adequate cap. There has been some discussion we do not need a cap because if you consolidate a loan there is a cap built into the consolidation program. First of all, there is a problem with that in that except for the subsidized Stafford loans, the other federally supported loans start accruing interest even while you are still in school so you are building up a big mountain of debt. When you consolidate, what you are doing, essentially, is stretching out the payments, making a longer term which adds more interest. It is like the difference between a short-term loan and a long-term loan. You end up paying a lot more interest on your house than you do on a 2- or 3-year loan on your car.

For many reasons, both technical and otherwise, we believe, particularly as we are several days from July 1, we need to go ahead and give this body the time to deliberate. Frankly, we just passed a historic piece of legislation. That was not done in the waning hours of the session. It was not done without hearings. It was not done without a lot of back and forth. It was not done

without a lot of tension on the floor. Yet we are proposing fundamental changes to our Federal Student Loan Program in the waning hours before a recess.

Mr. President, 36 Democrats and counting have joined me and Senator HAGAN to extend this lending rate for 1 more year.

We have in the past been able to come together. In fact, we adopted the 3.4-percent interest rate, fixed rate, in 2007. The vote in this Senate was 79 to 12, Republicans and Democrats saying: A good deal for students, a low interest rate.

I think we still have to look for a much better deal than has been suggested by some of the proposals. Our proposal for a one-year extension is also fiscally responsible because we are offsetting the cost of roughly about \$4.2 billion by closing a tax loophole—which I think should be closed on its own face, but it would allow us to pay for this extension for 1 year. I will remind my colleagues that a year ago we did precisely the same kind of thing.

Some would say we have not used the year well enough. But if you think about the debate we had on background checks and firearms; if you think about this historic debate on immigration; if you think about many of the other serious debates we have had, I think we have been engaged on this floor decisively. But now it is time, again, to move to this education issue and give it the full consideration students and families deserve.

I am disappointed. I am sure my colleagues who are suggesting alternative proposals are disappointed. But I am most disappointed we cannot at least tell students today: We have your back. You are going to be safe for another year, with your loans at 3.4-percent interest. And during that time, we have to fix this—and not just simply changing around interest rates but addressing how to help borrowers pay down the debt that is outstanding. It is a huge problem, a trillion dollar problem. What about the incentives for lowering the costs of college? What about other structural changes we have to make? They will unlikely be made if we somehow sort of leave here with a “fix” that ultimately, in a very short period of time, raises rates beyond the 6.8 percent and also takes off the pressure, legitimate pressure for us not just to treat one part of the problem but comprehensively deal with the issue of the cost of higher education for families.

With that, I have been asked to propose a unanimous consent.

The PRESIDING OFFICER. The Senator may proceed.

MORNING BUSINESS

Mr. REED. I ask unanimous consent the Senate proceed to a period of morning business until 7 p.m., with Senators permitted to speak for up to 10 minutes each.